

Post-Divorce Wives, Widows and Wealth Management

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According to the *Wall Street Journal*, over the next 20 years, approximately \$25 trillion will be passed to women through divorce, death of spouse or inheritance. Currently, women make up just under half of the nation's millionaires. If their earning potential continues to grow on track, they will account for up to two thirds of the nation's wealth by 2030.

Over the years, I have assisted a number of women from ages 30 through 80 with unique problems and issues arising from the death or divorce of their wealthy husbands. Oftentimes, these women are not actively involved in either the day-to-day management of their household money or the management of their investments. While they may have considerable assets to meet their financial requirements, they're starting from a handicapped point of view, both from an educational standpoint as well as an emotional one. This "mental freeze" often leads to either cash hoarding (as opposed to investing) or being manipulated by a commissioned salesman.

If you are a recent widow or divorcee reading this, I truly empathized with you. Besides managing your grief, you are trying to deal with monumental changes in your life and are facing a growing list of perpetually unfamiliar monetary choices. Let me offer a few quick suggestions:

- **Do not make significant decisions under duress or too quickly.** Typically, the response to newly-obtained wealth is to be protective and act immediately in an effort to safeguard personal finances. Decisions about selling real estate or other large, financially-impacting choices can wait until input is received from trusted advisors and a plan for preserving irreplaceable capital is in place.
- **Conduct a full risk assessment analysis of your current financial situation.** Widows, divorcees and the newly wealthy are faced with being pushed from personal comfort zones to invest or withdraw some of their principal funds. Conducting a full risk assessment and starting slowly with investments will assist in understanding personal risk and volatility tolerance.
- **Meet regularly with your financial advisor.** Stay up-to-date on your investments through quarterly meetings. Strive to fully understand each investment and don't let a disappointing trend last more than two quarters.
- **Deposit all of your income directly into a bank or brokerage account.** Ask your accountant to give you an estimated monthly after-tax income figure to be deposited into your household bank account. This will ensure a monthly "pay check" to cover fixed and discretionary expenses.
- **Create a home budget.** Even if a budget has never been needed, it is important to know the amount of monthly fixed expenses such as housing, food and gas. Recognizing the fixed monthly income needed prior to making any discretionary purchases is critical to maintaining a savings balance.

Often women look at money differently than men, viewing their money as a reservoir and they can be very protective to keep the amount from dropping. Men tend to view money like a stream, with the mentality that they earn it, spend it, earn more, spend more, etc. with less concern for their savings balances.

Given the above and the need to use conservative investments, low interest rates are single women's biggest challenge if they are trying to live off of their savings. Typical "safe investments" like money market funds, CDs and short-term/high quality bonds all pay less than 1 percent today. In this case, a widow with \$1.0 million would be earning under \$10,000 per year on these kinds of investments -- well below her basic cost of living. Unless they have tens of millions of dollars, widows and divorcees are faced with being pushed from their comfort zones to invest into stocks, junk bonds and real estate, and/or have the option to withdraw some of their principal. Both scenarios are in contrast to their desire to protect their principal.

Once these women understand their financial situations more clearly, have a plan for preserving their irreplaceable capital, an idea of realistic cash flow to sustain their lifestyle needs, and have the basics of investing under their belts, they feel more confident about their financial future.